

UNEMPLOYMENT INSURANCE
STATE QUALITY SERVICE PLAN (SQSP)
PROCESS AND REVIEW INSTRUCTIONS

Employment and Training Administration
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TABLE OF CONTENTS

I. INTRODUCTION	1
II. THE STATE QUALITY SERVICE PLAN (SQSP) PROCESS	2
A. Continuous Improvement Cycle	2
B. The SQSP	3
C. Partnership Principles	4
D. Government Performance and Results Act of 1993 (GPRA) and UI PERFORMS ...	5
E. SQSP and Unified Plans	6
F. Federal Role/Responsibilities	6
1. National Office Role/Responsibilities	6
2. Regional Office Role/Responsibilities	7
III. PLAN DEVELOPMENT	10
IV. REVIEW INSTRUCTIONS	12
A. April Submittal: Worksheet UI-1, UI Staff Hours And Travel Staff Years	12
B. August Submittal (Main)	12
1. SQSP Discussions/Negotiations	13
2. State Plan Narrative	13
3. Corrective Action Plans (CAPs)	14
a. Required/Mandatory CAP	14
b. Reality Test	17
c. Management Commitment	17
d. Basis	18
e. Milestones	18
4. Continuous Improvement Plans (CIPs)	18
a. CIP Negotiations	18
b. CIP Review	19
5. Budget Worksheets/Forms	19
a. Standard Form (SF) 424, Application for Federal Assistance	20
b. Standard Form (SF) 424A, Budget Information - Non-Construction Program	20
6. Organization Chart	20
7. Electronic Submittal and Signature Page	20
C. SBR Submittal	21
V. SQSP TRANSMITTALS TO THE NATIONAL OFFICE	21
A. Regional SQSP Report	21
B. SBRs	22
VI. FINANCIAL REPORTING ACTIVITIES	22
A. Standard Form (SF) 269, Financial Status Report	22
B. UI-3, Quarterly UI Contingency Report	22

I. INTRODUCTION.

UI PERFORMS, the performance management system for the Unemployment Insurance (UI) program, was officially announced in August 1995. The system was structured to accomplish three major goals:

- Achieve continuous improvement in overall performance quality, i.e., the quality of the service to every State's customers;
- Encourage effective management by all partners; and
- Encourage innovative planning for more effective and more efficient services to customers.

Unemployment Insurance Program Letter (UIPL) No. 41-95, dated August 24, 1995, outlined a construct for the comprehensive performance management system based on the following:

- a significantly improved data collection infrastructure that provides more management information more frequently;
- performance measures that include national core criterioned measures (Tier I) and a menu of non-criterioned measures (Tier II) for State Employment Security Agencies (States) to utilize in measuring and improving their program performance;
- a dynamic planning process that is State focused -- the SQSP; and
- a goal of continuous improvement with shared responsibility by both State and Federal partners.

UI PERFORMS, and its performance planning component, the SQSP, are not radically different in structure from its predecessor, UI's closed loop management system and the Program and Budget Plan (PBP). It is, however, intended to make the process improvement cycle that has always been present in UI logically tighter and to function better. It is also intended to provide a vehicle for States to communicate their goals and to address problems that had become manifest with the former system. These included: distant, suspicious Federal-State relations; unwillingness to take on persistent performance problems; and a lack of commitment to continuous improvement. Thus, perhaps most importantly, **UI PERFORMS embodies a reaffirmation by both the Federal and the State partner of the principle that they share responsibility for the UI system and have a common goal: to provide better services to the American public by enhancing and improving the system as a whole.**

II. THE SQSP PROCESS.

A. Continuous Improvement Cycle. UI PERFORMS embraces the continuous improvement cycle advocated by quality practitioners, which is commonly known as the “Plan-Do-Check-Act” (P-D-C-A) cycle, designed to promote continuous improvement in performance over time. It incorporates a strategic planning process of identifying priorities; ongoing collection and monitoring of valid data to measure performance; identification of areas of potential improvement; and development of specific action steps to improve performance, followed by use of available data to determine if the action steps are successful. The cycle continues indefinitely with the opportunity at any point to reassess priorities, performance, and actions that can improve performance.

Within the SQSP process, the P-D-C-A cycle is ongoing throughout the year and is focused on enhancing UI performance.

- **PLAN.** In the Plan phase of the P-D-C-A cycle, the State, in collaboration with the Federal partner, assesses its concrete situation and sets priorities for improving certain aspects of its operations while maintaining performance in others, and decides on specific actions designed to achieve these priorities. State and Federal staff are expected to work jointly to analyze performance data, to identify areas for improvement and/or emphasis, and to develop strategies for making improvement although much of this analysis should have occurred throughout the year. The overall plan process should be characterized by interaction and consultation between State and Federal staff as the conclusions reached from these analyses are utilized in developing the new fiscal year plan. A primary consideration in the planning process is balance: it is preferable to achieve balanced improvement across a broad spectrum of performance, rather than achieving especially high performance in only a few areas.
- **DO (State Operations Under the SQSP).** The SQSP identifies and sets the framework for those areas of State operations that the State seeks to improve. These changes occur within the context of continuing UI operations of paying claims, collecting taxes, and attempting to facilitate claimants' reemployment. In the course of these operations, States gather transactions data as byproducts of operations. Where necessary (e.g., to measure quality and accuracy), sample-based measures are used. Federal staff work with the States to validate that data being collected are accurate and consistent with Federal definitions, and provide technical assistance for performance improvement when appropriate. States also provide technical assistance to other States where requested.
- **CHECK (Assessing Performance Under the SQSP).** Both State and Federal staff are expected to be continuously, actively assessing performance. The goal

of this step is continuous monitoring of performance with the object of achieving continuous improvement where possible. State and Federal staff are expected to be familiar with both new and old information from the State's data systems, and historical information from other States to formulate a balanced view of State performance relative to its goals, its history, Federal criteria, and the performance of other States. The nature of the data in the SQSP dictates how many ways these can be used to judge a State's performance. For example, Tier I criterioned data, being based on nationally uniform definitions and subject to the same interpretation in all States, can be viewed in terms of how the State performed relative to Federal criteria, to the goals it sets in its plan, to its historical record, and to other States' performance.

The objective of these analytical efforts is to determine the State's underlying operational performance level and the effectiveness of actions taken to improve it. Undue credit should not be attached to random increases in apparent performance or those due to a favorable economic climate, nor to apparent decreases when such factors turn negative.

- **ACT (Setting Priorities and Choosing Strategies).** In this phase of the cycle, the State--with Federal partner collaboration--decides what it will emphasize and then selects the strategies it will incorporate as action plans in the upcoming SQSP. Three main streams converge to influence these priorities: national emphases as reflected in Federal planning guidance; the State's own internally-generated emphases; and areas the previous "Check" phase has shown need improvement. The strategies can emerge from different processes, such as, systematic problem solving; re-engineering UI processes; adopting and adapting best practices; and soliciting assistance from other partners. The Federal partner at this stage has both "internal" and "external" responsibilities. The internal activities involve collaboration with the States in setting priorities and in crafting strategies for improving service to customers. The external activities involve recognizing, acknowledging and rewarding superior performance, and taking steps to sanction persistent below-criterion performance to see that effective steps are taken to improve it.

B. The SQSP. Under UI PERFORMS, an annual assessment augments the ongoing continuous improvement process and forms the basis for continuous improvement planning and corrective action planning through the SQSP process. The results of past performance relative to Federal performance floors or State-set performance targets trigger assessment of the effectiveness of past actions in improving performance. The preparation of the annual SQSP triggers the identification of specific future actions and the development of action plans for further performance improvement.

The restructured plan of service, the SQSP, is the heart of the UI PERFORMS and is intended to be a dynamic document States can utilize as a management tool - much like a business plan - not only to ensure strong program performance, but also to guide key management decisions, such as, where to focus resources. It is intended to focus a State's efforts to ensure well-balanced performance across the range of UI activities. The SQSP also is designed to be flexible to accommodate, among other things, multi-year planning and significant changes in circumstances during the planning cycle. Although it will be developed in cooperation with the Federal partner, the SQSP is State focused. The Federal role in the process is to exert a positive, constructive influence for and supportive of improvement efforts.

Operationally, the SQSP also serves as the grant document through which States receive Federal UI administrative funding, the same as its predecessor, the PBP. Hence, it contains budget worksheets and the various assurances required in a Federal grant document. It is important, however, to emphasize that the SQSP is designed to be very different from the PBP, both in the process for development and the actual content. To accomplish this will require a new attitude toward and approach to the planning process as well as enhanced interaction and consultation between State and Federal staff.

C. Partnership Principles. The three following principles form the basis for carrying out Federal and State responsibilities under UI PERFORMS and the SQSP planning process:

- Basing the Federal-State relationship on mutual trust and respect will improve the UI system and its service to the American public.
- Working as equal partners with complementary roles will improve the UI system's quality of service and its integrity.
- By setting high standards and goals and working together as a team, the system will be strengthened and the entire nation will benefit.

The following are examples of the actions and attitudes that are consistent with these principles:

- Fostering open, personal communication;
- Fostering a win-win relationship; advocating for and supporting one another;
- Being willing to acknowledge the existence of problems, and focus on fixing them instead of placing blame;
- Mutually accepting responsibility for resolving problems and overcoming deficiencies;
- Engaging in joint planning and influencing one another's priorities;
- Sharing information and resources;
- Promoting innovation and creativity;
- Jointly seeking input from customers;

- Recognizing the role and importance of other players at the State and National levels;
- Where there are differences between partners--
 - Trying to resolve disputes equitably and fairly, being willing to compromise to achieve consensus;
 - Seeking early, informal resolution;
- Asserting positive and friendly influence on partners to improve performance; and
- Sharing credit, celebrating successes.

D. Government Performance and Results Act of 1993 (GPRA) and UI PERFORMS. The GPRA requires every Federal executive department to specify goals and objectives that are key to its mission and to identify quantitative indicators of achievement of those goals and objectives. The departments prepare multi-year strategic and one-year performance plans for achieving their missions, and report annually on their accomplishments, using the key performance indicators they have identified in their Strategic Plans and Annual Performance Plans (APP).

Four GPRA plans contain UI goals and measures. These are the DOL Strategic Plan and APP and the ETA Strategic Plan and APP. The goals, objectives and indicators in the DOL Strategic Plan and APP are identical to those included in the ETA Strategic Plan and APP, although fewer in number. The Strategic Plans (DOL and ETA) have five year time frames for performance and are concerned with establishing enduring guidance and policies. The APPs for both DOL and ETA focus on performance in a single fiscal year and on the specific initiatives and budget situation that can influence performance in that year. The DOL and ETA Strategic and Annual Performance Plans may be found on the DOL and ETA web pages and ROs should also have printed versions available.

While every attempt has been made to integrate UI PERFORMS with GPRA, the two systems do not coincide completely. There are two basic reasons:

First, from the standpoint of GPRA, UI PERFORMS focuses almost entirely on outputs (system products), not outcomes (effect on the labor market or economy as a whole.) This focus on outputs reflected a conscious decision on the part of the Performance Enhancement Workgroup (PEWG), which outlined the UI PERFORMS system. The PEWG intended to limit UI PERFORMS' scope to tracking and promoting operational performance. GPRA, on the other hand, strives for measures characterizing accomplishment of the key dimensions of the program's mission, of which operational performance is one.

Second, there is no consistent relationship between most of the broad UI outcome measures, which relate to the UI system's capacity to serve as a macroeconomic stabilizer, to the UI PERFORMS operational performance measures. Some States have chosen UI program designs and emphases which are characterized by tighter eligibility, shorter average durations, and lower

overall benefit costs than others but they all conform to Federal legislation. States which are at either end of the benefit-cost spectrum may have either high or low operational performance rankings. Thus some GPRA outcome measures capture dimensions which cut across operational performance lines and which improved operational performance will not enhance. Although these distinctions can be made, the goals of both UI PERFORMS as a system and GPRA as a measure of accountability rely on overall improved performance and effectiveness through observable and quantifiable outcomes. By striving to improve State UI performance beyond minimum floors of acceptance while maintaining that performance already above the minimum, the GPRA performance goal for a Secure Workforce is attainable.

The Division of Performance Management (DPM) issues an annual booklet, *The GPRA Performance Results for the UI System*, which compares UI PERFORMS measures to GPRA goals and indicators. The GPRA goal and objectives under that goal that are relevant to UI planning and performance are listed in the “Call Memo” which initiates the annual SQSP process.

E. SQSP and Unified Plans. The purpose of the WIA Unified Plan is to allow States to consolidate, and thus coordinate, two or more programs by filing a Unified Plan that includes those programs. State UI programs may be included in State unified plans. States that have included UI in unified plans give assurances that they will participate in the annual SQSP process.

F. Federal Role/Responsibilities. Although the ultimate responsibility for the SQSP falls on the State, Federal responsibilities include setting national priorities; collaborating with each State in the formulation of its plan and planning targets; approving the plan; assisting with analysis of results; providing or arranging for technical assistance (TA) to States needing and/or requesting it, based on their past or desired outcomes; and taking action to ensure substantial compliance in activities assessed using measures for which national performance criteria have been established.

1. National Office Role/Responsibilities. National Office (NO) responsibilities include:

Establishment and Maintenance of Systems for Performance Measurement

- Obtaining Paperwork Reduction Act information collection approval for UI workload and performance data reporting.
- Establishment and maintenance of the UI Data Base, including
 - National and Regional data base access
 - Electronic reports.
- Establishment of a system for workload/data validation.
- Issuance of performance measures, including

- Development and issuance of performance measure definition
- Identification and issuance of Tier I minimum performance criteria

Establishment and Maintenance of the SQSP Process

- Obtaining Paperwork Reduction Act information collection approval for the SQSP.
- Preparation and issuance of directives and guidance for the SQSP process, including:
 - ET Handbook No. 336, the SQSP Planning and Reporting Guidelines
 - SQSP Process and Review Instructions
 - Annual Call Memo
- Issuance of financial information and funding levels,
 - Annual target funding levels and financial guidelines (as appropriate)
 - Final allocations
- Development and maintenance of materials and systems supporting the SQSP process.
 - Establishing a process for the identification of mandatory CAPs required for Tier I Performance Deficiencies.
 - Participating in the identification of mandatory CAPs required for Tier II Egregious Poor Performance.
 - Identification of mandatory CAPs required to address Reporting Deficiencies.
 - Establishing the national framework for Regional Office SQSP discussions/negotiations.
 - Automated Systems for:
 - Electronic submission of the SQSP
 - Tracking CAP/Continuous Improvement Plan (CIP) progress and achievement.
 - Providing performance review and analysis, including:
 - National level review and analysis
 - Assisting RO staff in the use and application of review and analysis tools and techniques
 - Assisting RO staff in Regional and State level performance analyses.
- Coordinating and participating in providing or arranging for technical assistance to States.
- Reviewing and revising the SQSP process as part of the continuing review and assessment of the effectiveness of all UI PERFORMS

elements .

2. Regional Office Role/Responsibilities. RO responsibilities include:

Plan Development and Submission to the RO

- Establishing a process for the preparation and submission of the SQSP
 - Participating in the identification of mandatory CAPs required for:
 - Tier I Performance Deficiencies
 - Tier II Egregious Poor Performance
 - Identification of mandatory CAPs required to address:
 - Program Review Deficiencies
 - BAM Requirement Deficiencies
 - TPS Requirement Deficiencies
 - Establishing and notifying States of RO SQSP submission deadline
 - Advising States of required CAPs
 - Reviewing and analyzing prior performance
 - Reviewing and analyzing the effectiveness of prior performance improvement plans
- Initiating annual planning discussions with State
 - Discussing relevant Employment and Training Administration (ETA) strategic and performance plan goals, objectives, strategies and approaches; and the program emphasis areas and how the State might reflect them in the SQSP for the plan year
 - Discussing prior performance and the effectiveness of prior performance improvement plans
 - Negotiating the preparation of CIPs as appropriate

Plan Review & Approval

- Establishing a RO SQSP review process

This process shall ensure that SQSPs and Supplemental Budget Requests (SBRs) are complete; reviewed in accordance with the review instructions, the SQSP Planning and Reporting Guidelines, the annual Call Memo, and the annual State Agency UI Resource Planning Targets and Guidelines; and are programmatically and financially acceptable prior to Grant Officer approval of SQSPs or SBR recommendation.
- Approving SQSPs/Recommend or Return SBRs

All SQSPs shall be approved, either in final or conditionally, by no later than September 20 preceding the fiscal year (FY) to which they apply. SBRs shall be reviewed and forwarded to the NO with a RO recommendation or returned to the State for additional information or justification within 30 days of receipt unless an earlier deadline is established.

State Financial Reporting Oversight

- Ensuring that the State submits quarterly financial reports (SF 269, UI-3) and final SF 269s in accordance with the SQSP Planning and Reporting Guidelines (ET Handbook No. 336).
- Approving UI worksheets in the UI Required Reports (UIRR) system and forwarding Standard Forms (SFs) when satisfied that the reports are completed in accordance with the instructions on the reverse of the forms and are correct.
- Reviewing (and, if warranted, approving) requests for extension of the period for expenditure of unliquidated obligations.

Transmittals to NO

- Transmitting 2 copies of the Regional SQSP Report to the NO (Attn: Office of Workforce Security, Division of Performance Management) by October 15 (or the very next work day if October 15 falls on a non-business day).
- Submitting SBRs to the NO (Attn: Office of Finance and Administrative Services, Division of Budget) within 30 days of receipt unless an earlier deadline has been established.
- Transmitting SF 269, Financial Status Report, to the NO (Attn: Office of Workforce Security, Division of Fiscal and Actuarial Assistance) no later than 45 days after the quarter in the current FY to which the report pertains, including reports for prior FYs for which there are unliquidated obligations. Transmitting final SF 269 reports for a FY by May 15 of the subsequent FY or by the following February 15 (February 15 of the FY+3) if the State used grant money for automation acquisitions.

Record-keeping

- Maintaining in the RO the approved SQSP for each State including any CAPs/CIPs or modifications occurring during the FY.
- Maintaining CAP/CIP tracking information through use of a method designed by the RO.

Technical Assistance

- Participating with States in performance analysis and the formulation of improvement strategies.
- Discussing what TA might assist the State in its improvement efforts.
- Providing such TA or making arrangements for its provision.

Monitoring & Oversight

- Reviewing the success of each State in implementing its corrective actions and assessing the State's progress toward improved performance no less frequently than on a quarterly basis.
- Promptly discussing negative CAP assessments with States and participating in the revision to CAPs so that the performance target can still be achieved by plan end; discussing other assessments with each State at least once during the year.
- Monitoring State drawdowns.

III. PLAN DEVELOPMENT.

A. Performance Analysis. Because UI PERFORMS sees Federal and State partners as having a joint responsibility for setting priorities and initiating planning directions, it is anticipated that State and Federal staff will work jointly during the year and during the annual plan development process to analyze performance data, to identify areas for improvement and/or emphasis, and to develop strategies for making improvement. Technical assistance is available from DPM in formulating analysis strategies and/or conducting data analysis of performance that is of concern.

Performance analysis should focus on identifying problems and understanding their underlying causes in order to fix them, not to place blame. The key to effecting change and goal achievement is to focus on how to remove, go over, around, or under problems and obstacles identified and not on the existence of obstacles themselves or to debate whether they can be overcome.

The conclusions and agreements resulting from these activities concerning appropriate responses to the various factors that affect UI program performance should be reflected in the August plan submitted by the State.

B. SQSP Performance Discussions/Negotiations. There is no required or best method for conducting SQSP discussions/negotiations with States. They may be conducted

one-on-one, in a group setting or through a combination of approaches. They may be conducted in person, by telephone, mail or a combination of all methods. The method and approach may vary within the overall SQSP process. For example, ROs may wish to employ one method to initiate the SQSP preparation (e.g., a kick-off meeting announcing the submission date, etc.); other methods for performance analysis and plan development (e.g., in-person individual State analysis/strategy discussions); and still other methods during plan review (e.g., telephone follow-up conversations). The same method(s) is not required for all States in the Region since different methods may be appropriate for different States.

Whatever method or methods are utilized, it is important the the RO's overall approach recognize and support the partnership framework on which the UI program and UI PERFORMS is founded. The State's program and performance goals and its assessment of its prior year performance and the effectiveness of its corrective action and improvement plans in achieving performance goals should be actively solicited and used as the framework upon which the discussion proceeds.

The discussion/negotiation process should result in the joint identification of performance issues and State commitment to address them through CIPs before they become performance deficiencies. Thus, ROs should propose, and strongly advocate, the preparation of CIPs where performance for a Tier I measure is at or slightly above the minimum criteria, and for a Tier II measure where performance is significantly low. Erratic or declining performance patterns within the assessment period for a performance measure may also signal performance issues for which a CIP should be proposed. To the extent possible, the RO should participate with States in the development of corrective action and/or improvement strategies and plans.

Because the SQSP process is predicated upon the development of realistic plans and timetables to improve deficient performance, a commitment to their implementation, and continuous monitoring to ensure their success, **failure to implement or timely implement the actions contained in a CAP is a major area of concern.** Accordingly, instances of failed CAPs (i.e., identified performance target for the prior plan period not achieved) from the prior year or significant or repeated slippage timely completing planned actions identified in a multi-year CAP should be a key discussion item during the performance discussions which precede the annual SQSP plan preparation. The development of the new/revised CAP should also be given particular attention and emphasis to ensure that the CAP is well reasoned, achievable and has the State's commitment to its execution.

If SQSP is functioning as envisioned, instances of failed CAPs should be extremely rare and due to unanticipated events outside the State's control which occur late in the assessment period.

When participating in the discussions with the States as they prepare their plans, ROs should be sure that they are considering the GPRA goals when determining CAPs, CIPs and milestones. ROs should analyze a State's performance relative to the GPRA goal and, especially in cases where the State is close to meeting the criteria, encourage the State to focus resources toward improving that performance.

Another component of the RO's SQSP discussions with States should be whether and what TA is needed to aid the State's corrective action and performance improvement efforts. While additional monetary assistance is not currently a possibility due to budgetary constraints, other forms of assistance may be possible. These might include:

- Additional or priority consideration for slots in Federal UI training sessions
- A State-specific version of one of the Federal training sessions
- Participation of Federal experts in an operations review to help identify process improvement and re-engineering opportunities
- Opportunities for discussion with other States, such as, the convening of lessons learned or effective practice meetings or conferences
- Research and evaluation findings in a given area
- Assistance in drafting legislative provisions
- Identification of a bench marking or TA partner State
- Identification of State experts for consultation or TA

NOTE: TA needed is reflected in the State Plan Narrative in both the summary and in the focus summaries. To the extent that the TA needed by the State involves staff resources of entities outside the Region, it should be discussed with the NO (the applicable OWS division chief and the Division of UI Operations, Office of Income Support) to permit overall coordination and prioritization within available resource constraints prior to committing the Federal partner to the provision of such TA in the final approved plan.

IV. REVIEW INSTRUCTIONS.

A. April Submittal: Worksheet UI-1, UI Staff Hours And Travel Staff Years.

Check to assure that the worksheet has been completed fully and in accordance with instructions.

B. August Submittal (Main).

The level and nature of RO review activity required will be in inverse proportion to the level and nature of RO discussions of performance and participation in analysis activities during the prior year and the annual SQSP development process. The more the RO has discussed

performance and jointly participated with the State in the analysis of past and current performance, the identification of reasons for performance decline and/or failure of prior corrective actions, and the formulation improvement strategies and action steps, the less analysis, discussion and clarification will be required during the plan review process.

1. SQSP Discussions/Negotiations. Upon receipt from the State, RO staff should review the SQSP submittal for completeness; conformity with the SQSP Planning and Reporting Guidelines, the annual State Agency UI Resource Planning Targets and Guidelines, the annual Call Memo and agreements reached during the planning process; and programmatic soundness and financial acceptability. The RO should request the State to correct omissions or deficiencies found during the review and to refine plans based on additional performance data that has become available since the initial plan development before final submission and approval.

HINT: ROs may wish to do a quick completeness review, i.e., are all required documents included, and immediately request State preparation and submission of any omitted documents. Content review of documents that were submitted could begin while awaiting submission of missing documents.

2. State Plan Narrative. The content review should ensure that:

- It reflects the discussions/negotiations held and agreements reached between the RO and the State during planning process;
- All required components are included in the State Plan Narrative -- either in the summary or the focus narratives (or in other supplementary tables or displays the State chooses to submit); and
- It provides a context for UI program activities for the plan year in terms of the economic, political and budgetary climate within the State and in relation to Federal program emphases; an assessment of the State program's strengths and weaknesses; the status and effectiveness of past corrective or improvement actions relative to planned or targeted levels; and the basis for the State's choice of areas to emphasize in the planning year and for the actions planned to achieve performance improvement during the year.

After reading an *acceptable* State Plan Narrative, the reader should know, for the plan year, a State's:

- Current environment (that has a direct impact on performance)
- Priorities

- Planned response(s) to Federal priorities
- Tier I performance targets and strategies for accomplishing them
- Other performance targets (Tier II and others developed by the State to track performance in pursuit of State objectives) and strategies for accomplishing them
- State Unemployment Trust Fund (TF) status and approach to TF integrity/solvency
- Approach to evaluating customer service and satisfaction and integrating such customer input into program improvement
- TA needs

To the extent that the TA needed and requested by the State involves staff resources of entities outside the Region, it should be discussed with the NO (the NO SQSP Coordinator and the applicable OWS division chief) to permit overall coordination and prioritization within available resource constraints prior to committing the Federal partner to the provision of such TA in the final approved plan.

3. CAPs. Because CAPs address performance deficiencies of one kind or another and represent precursor activity to sanctions in the event of continued performance deficiency, particular time, attention and effort should be devoted to CAP development and review.

Transition CAPs. Under UI PERFORMS, the performance measures and associated criteria will be periodically reviewed and revised as appropriate. When new Tier I performance criteria are announced and transition periods provided, States, whose performance does not currently meet or exceed the new criteria, are invited to submit plans or Transition CAPs identifying the actions they will take in order to meet the new criteria. ETA will not initiate formal action against a State with performance below the criterion during the transition period as long as there is an approved CAP in place and evidence of continuing progress in its achievement.

a. Required/Mandatory CAP. The following table summarizes how to determine whether a CAP is required. The reviewer should assure that all required CAPs are included in the State's plan and that any issues or questions on whether a CAP is required are resolved as early as possible.

CATEGORY	HOW DETERMINED	EXCEPTIONS
<p>Tier I Deficient Performance (Performance for the assessment period is below the Tier I performance criteria for the measure. Tier I performance criteria are performance floors or minimums for legal requirements or key dimensions of the program each State is expected to meet or exceed at all times or to initiate immediate corrective action.)</p>	<p>State performance as reflected in State Ranking Report (SQSP Edition) is below the Tier I minimum performance criteria (UIPL No. 37-99)</p> <p><i>Reporting Errors:</i> If there are errors in the State reports for assessment period which, if corrected, would raise the State's performance level for the assessment period to or above the performance criteria, the RO should notify the NO and advise the State to submit revised reports (in accordance with regular reporting procedures) prior to the deadline established for SQSP submission. Upon receipt of such reports, the State's performance level for the assessment period will be recalculated and its compliance with reporting requirements over the assessment period reassessed.</p> <p><i>Subsequent Performance Data:</i> Additional performance data that becomes available during the plan development period should be utilized to refine plans before final submission and approval.</p>	<p><i>Existing CAP:</i> Due to ongoing performance review and assessment through the year, in many instances, a CAP should already be in place. Existing CAPs need not be revised or resubmitted if planned actions have occurred as scheduled and satisfactory progress made. Such CAPs are already considered part of the State's SQSP. However CAPs revisions must be submitted whenever planned actions, interim performance targets or outcomes fail to occur or be achieved as scheduled and the CAP has not been previously revised to reflect such events.</p> <p><i>Improved Performance:</i> A State, whose performance relative to a performance measure, after taking into account all additional performance data that has been reported since the conclusion of the assessment period and prior to plan submission: 1) has risen to, or above, the minimum performance criteria for the most recent 12-month period, or 2) has been at, or above, the minimum performance criteria for the nine most recent consecutive months, or three most recent consecutive quarters, is not required to submit a Tier I deficient performance CAP for such measure.</p> <p><i>Not Administratively Feasible:</i> ROs should review and transmit to the NO, along with the RO views and recommendation, State requests for CAP exceptions on this basis. Generalized statements of lack of funding, or the existence of an existing procedure or organizational arrangement, in itself, will not be considered sufficient basis for exception. Exception requests should include a full explanation of why it is not administratively feasible for the State to meet the minimum criteria, whether it is a temporary or permanent condition, a description of the State's efforts to overcome the obstacle(s), and the identification of an alternate minimum level and its basis.</p>

CATEGORY	HOW DETERMINED	EXCEPTIONS
Tier I Transition (Performance is below the FY 2002 Tier I performance criteria for the measure.)	State performance is below the FY 2002 Tier I minimum performance criteria (UIPL No. 37-99)	<p><i>Existing Tier I Deficient Performance CAP:</i> In some instances, a CAP is already in place or is required due to failure to meet existing performance criteria. A separate Transition CAP should not be prepared in such instances. Rather a single, multi-year CAP should be developed or the existing CAP revised to identify the planned actions the State is taking or intends to take to first meet the existing criteria and then subsequently achieve the out-year criteria. Performance targets should indicate the progress anticipated over the course of the plan toward meeting the two performance criteria.</p> <p><i>Existing Transition CAP:</i> Depending on when a new criteria is announced in relation to the SQSP cycle, a Transition CAP may already be in place. Such existing CAPs need not be revised or resubmitted if planned actions have occurred as scheduled and satisfactory progress made. Such CAPs are already considered part of the State's SQSP. However CAP revisions should be submitted whenever planned actions, interim performance targets or outcomes fail to occur or be achieved as scheduled and the CAP has not been previously revised to reflect such events.</p>
Tier II Egregious Poor Performance (Tier II performance conspicuously below that of other States and that clearly indicates the existence of a problem in need of redress.)	Joint NO/RO determination based on State performance as reflected in the State Ranking Report (SQSP Edition).	Same as " Tier I Deficient Performance " category. See above.

CATEGORY	HOW DETERMINED	EXCEPTIONS
Reporting Deficiencies (Consistent failure to timely or accurately submit one or more required reports)	NO Determination & Notice to RO Also see “ <i>Reporting Errors</i> ” above.	<i>Existing CAP:</i> In most instances, a CAP should already be in place for such findings. Existing CAPs need not be revised or resubmitted if planned actions have occurred as scheduled and satisfactory progress is being made. However CAP revisions must be submitted whenever planned actions or interim performance targets or outcomes fail to occur or be achieved as scheduled and the CAP has not been previously revised to reflect such events.
Program Review Deficiencies (Uncorrected findings from program reviews)	Program Review Report & RO CAP Tracking system	
BAM Requirement Deficiencies (Unmet BAM requirements)	Annual BAM Determination Letter & RO CAP Tracking system	
TPS Requirement Deficiencies (Unmet TPS requirements)	Annual State TPS Report & RO CAP Tracking system	

b. Reality Test. An acceptable CAP must be judged by the plan reviewer as addressing the underlying cause(s) of the performance deficiency, to be workable and to contain realistic time frames and performance objectives. It should be a serious plan to correct the deficiency it addresses. The degree of performance shortfall, the nature of the causes for the shortfall and/or the types of actions necessary to effect and sustain performance improvement may require the formulation of a multi-year CAP that shows actions and targeted performance reaching the criterion over a few years rather than in a single year. Review of existing multi-year CAPs should include an assessment of whether planned actions have occurred as scheduled, satisfactory progress is being made, and interim performance targets have been achieved, and the adequacy of plan revisions in light of action and progress to date.

For States that have significant performance deficiencies in multiple mandatory CAP categories, the reviewer must also review and assess the appropriateness of the State’s overall corrective action/performance improvement strategy and the accuracy of its assessment of areas where performance can be improved at relatively little cost or effort, e.g., by generating process improvements or re-engineering processes vs. those that require greater effort or cost, e.g., installing a new system. UI PERFORMS recognizes that State resources will seldom allow for maximum effort in all areas. It also recognizes that as resources are refocused from one area to another, some performance decline may temporarily occur in the area(s) from which resources have been redirected (but not below Tier I minimum performance criteria). The State’s overall corrective action/performance improvement strategy will be evidenced by where and how it has formulated multi-year CAPs, and by its choice of areas to address quickly and forcefully vs. those for which modest incremental increases are planned.

c. Management Commitment. A CAP is the State’s formal plan and time frames for bringing performance up to the level of the criterion or operations into compliance with program, Benefits Accuracy Measurement (BAM), Tax Performance System

(TPS), or reporting requirements. Thus an acceptable CAP must have State management approval and authorize the resources necessary to conduct the actions planned. It should not be a staff level proposal to State management for which review and approval (or disapproval) will not occur until after the start of the plan action period. The plan reviewer should assure management commitment and authorization to carry out the submitted CAP plans.

d. Basis. To minimize reporting burden, the CAP format and instructions require that CAPs only broadly summarize the analysis and thought process leading up to the specified planned corrective actions. It is incumbent upon the plan reviewer to fully understand the background, history and assessments that form and support a CAP's basis.

e. Milestones. The reviewer should ensure that the CAP milestones represent concrete operational steps or observable actions or events that can be used by both the Federal and State partner to track and assess progress during the plan year. The operational steps should be of sufficient number and frequency to facilitate review and assessment during the FY. Acceptable CAP milestones indicate at key points throughout the plan action period that activities are not occurring as scheduled, or are not having the effect intended so that corrections can be implemented, and the performance target still achieved by the plan's end.

4. CIPs.

a. CIP Negotiations. UI PERFORMS envisions the Federal and State partners asserting positive and friendly influence on each other in the setting of priorities and the setting of high standards and goals and working together to improve performance. States and ROs must agree on the specific areas for which the State will submit CIPS in the SQSP. These negotiations will encompass Tier II performance measures and Tier I performance above the established minimum criteria.

ROs should utilize the CIP negotiation process to encourage States to address performance issues before they become performance deficiencies. In order to minimize the potential for mandatory performance CAPs in a future period, ROs should propose, and strongly advocate, the preparation of CIPs whenever performance for a Tier II measure is significantly low or, for a Tier I measure, at or slightly above the minimum criteria. Erratic or declining performance patterns within the assessment period for a performance measure may also signal performance issues for which a CIP should be proposed.

Tier I criteria are established as performance floors below which State performance is never expected to fall. Ideally after the new performance criteria are phased in, most States will have Tier I performance levels consistently and comfortably above the minimum criteria established. Assuming no significant performance issues in the other mandatory CAP categories or Tier II measures, States should be encouraged to plan to improve performance incrementally each year by setting goals and preparing CIPs in several Tier I and Tier II performance measurement areas.

As previously indicated, UI PERFORMS recognizes that State resources will seldom allow for

maximum effort in all areas and that, as resources are refocused from one area to another, some performance decline may temporarily occur in the area(s) from which resources have been redirected (but not below Tier I minimum performance criteria). The measurement system is constructed with two tiers to allow for the State and Federal partner to decide on the best allocation of resources within the State to achieve Federal and State goals and priorities and optimize program performance. The negotiated criterion for a CIP might reasonably call for only a modest increase from a low level, or it might be a plan to further improve in an area in which the State is already performing well.

There is no minimum number of CIPs that are required nor maximum number that are permitted. It is possible in some circumstances that no CIPs are appropriate, such as, when a State must submit a significant number of CAPs or make substantial improvement in a few CAP categories. However, it is important to remember that there are often opportunities to improve performance at relatively little cost or effect, e.g., by generating process improvements or re-engineering processes. The cumulative effort necessary to successfully complete the actions planned in the totality of the State's CAPs/CIPs is the key determining factor.

NOTE: States that fail to meet a CIP's performance goals are not required to submit CAPs the subsequent year nor does UI PERFORMS envision the application of sanctions for such failure. Rather, it is anticipated that the analysis of the reasons for the improvement failure will result in the application of lessons learned in the development of a revised CIP for the subsequent year and enhanced potential for the targeted performance improvement.

b. CIP Review. The content review of CIPs is conceptually the same as for CAPs. The reviewer should assure that it is based on an informed understanding of the underlying basis of and factor(s) influencing current performance levels, is workable and contains realistic time frames and performance objectives. Similar to a CAP, a CIP should have State management approval and authorize the resources necessary to conduct the actions planned. Likewise, CIP milestones should represent concrete operational steps or observable actions/events that can be used by both the Federal and State partners to track and assess progress during the plan year and be of sufficient number and frequency to permit and facilitate such review and assessment during the FY. Acceptable CIP milestones provide early warning indicators at key points throughout the plan action period that activities are not occurring as scheduled or having the effect intended so that corrections can be implemented and the performance target still achieved by the plan's end.

5. Budget Worksheets/Forms. The States now transmit the UI budget worksheets/forms through the UIRR system. Of the Standard Forms (SFs), electronic submittal is available only for SF 269 through EIMS. States should submit SF 424s through the RO. SFs required as part of the budget reporting process (Chapter II of ET Handbook 336) are available in PDF format and may be downloaded from the Office of Management and Budget website at www.whitehouse.gov/omb/grants/index.html.

The RO should ensure that the States complete these reports in accordance with the instructions in the SQSP Planning and Reporting Guidelines (ET Handbook No. 336) and on the reverse of the forms. UI budget worksheets/forms should be approved in the UIRR system when the reviewer is satisfied that the reports are correct.

NOTE: Worksheet UI-1, UI Staff Hours And Travel Staff Years, was transmitted to the RO at an earlier date and should not be included as part of the State's SQSP August Submittal.

a. Standard Form (SF) 424, Application for Federal Assistance. The RO should ensure that the sum of dollars in Section 15.a. (Estimated Funding, Federal) of the SF 424 agrees with the total dollars allocated to the State.

b. Standard Form (SF) 424A, Budget Information - Non-Construction Programs. The RO should also ensure that States complete SF 424A, line 23 (Remarks), if they wish to vary the number of claims activities base staff years paid by quarter.

6. Organization Chart. The reviewer should ensure that States that have changed their organizational structures in the last year include an organizational chart in their SQSP submission that conforms to the service delivery, and organizational configuration and detail requirements contained in the SQSP Planning and Reporting Guidelines (ET Handbook No. 336).

7. Electronic Submittal and Signature Page. States may submit the SQSP electronically, if desired, but should contact the Regional Office SQSP Coordinator prior to submittal to identify and coordinate specific details. Generally, plans may be submitted in MS Word 97 or an earlier version or in Wordperfect 8 or an earlier version. The UI budget worksheets/forms are transmitted through the UIRR system.

Reviewers should ensure that an original Signature Page and two copies are signed by the State Administrator and dated. If electronic signatures are approved by the State for use in the submission of legal documents to the National and Regional Offices, States may submit the SQSP signature page electronically. States that do not submit an electronic signature page must submit the signature page in hard copy by mail or facsimile by the deadline set by the Regional Office.

Upon resolution of issues and concerns identified during plan review, the RO will submit all signature pages to the appropriate Office in the Department.

C. SBR Submittal. RO review of SBRs prior to submittal to the NO is extremely important. The NO relies heavily on the RO's recommendations on SBRs. Recent budget reductions have greatly increased pressures on available SBR reserves. The NO and RO must ensure that SBR reserves are used to fund only well-justified activities and costs. Therefore, the reviewers should:

- Verify that the State has submitted all relevant justification and documentation;
- Request missing or additional justification and documentation as appropriate;
- Analyze the SBR data and funding justifications to ensure they support the requested level of funding;
- Recommend the appropriate funding level; and
- Provide an in-depth analysis that supports the recommended level of funding upon request.

<p>Reminder: SF 424, SF 424A and SF 424B are required for SBRs.</p>
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IV. SQSP TRANSMITTALS TO THE NATIONAL OFFICE.

A. Regional SQSP Report. A Regional SQSP report consists of the following items:

- *Oversight Plans* - A description of the RO's plans to oversee their States' CAP/CIP activity during the year;
- *Assistance Activities* - A description of the RO's activities to support general State performance improvement efforts including any special focus efforts to be initiated or underway; and
- *SQSP Excerpts* - for each SQSP approved by the RO:
 - A copy of the SQSP signature page;
 - A copy of the State organization chart (if submitted);
 - A copy of the State Plan Narrative (summary and focus narratives);
 - A listing of CAP/CIPs included in the SQSP and their respective performance targets (by FY if a multi-year CAP). To assist with tracking, plans for Tier II measures should be numbered as numbered in the attachment to UIPL 37-99. List CAP/CIPs repeated from the most recent FY. Format for RO use provided in Attachment C);
- A summary of Federal (National, Regional or combination) TA agreements.

Two copies of the Regional SQSP Report should be provided the NO (Attn: Office of Workforce Security, Division of Performance Management) by October 15 (or the very next work day if October 15 falls on a non-business day) the plan year. Material within the report should be assembled by State.

B. SBRs. SBRs should be reviewed and forwarded to the NO (Attn: Office of Workforce Security, Division of Fiscal and Actuarial Services) or returned to the State for additional information or justification within 30 days of receipt unless an earlier deadline has been established.

V. FINANCIAL REPORTING ACTIVITIES.

The RO should ensure that the States complete these reports in accordance with the instructions in the SQSP Planning and Reporting Guidelines (ET Handbook No. 336) and on the reverse of the forms. When satisfied that the reports are correct, the reviewer should approve the UI-3 in the UIRR system and forward the SF 269 to the NO.

A. Standard Form (SF) 269, Financial Status Report. States submit SF 269 reports each quarter for each FY until all resources on order have been liquidated and the States submit a final SF 269. In addition, block 12 of the SF 269 must be used to report prior years Y2K automation expenditures.

Ensure that the State transmits data for SF 269, Financial Status Report, via the EIMS for prior FY and the plan FY; for reports that pertain to prior fiscal years, send copies of SF 269 to the NO (Attn: Office of Income Support, Division of Fiscal and Actuarial Services) no later than 45 days after the quarter to which the report pertains, and include final SF 269 reports and SF 269 reports for which there are unliquidated obligations.

Final SF 269 reports for a FY are normally due in the NO by May 15 of the subsequent FY. However, States that use grant money for automation acquisitions have 15 months after the end of the FY (December 31 of the FY+2), to expend those funds. Final SF 269 reports for these States are due in the NO by the following February 15 (February 15 of the FY+3). In both cases, the Grant Officer may extend the period for expenditure of unliquidated obligations and thereby extend the due date for the final SF 269 reports.

B. UI-3, Quarterly UI Contingency Report. The RO should ensure that the State transmits SQSP worksheet UI-3, Quarterly UI Contingency Report, via the UIRR system, no later than 30 days after the quarter to which the report pertains, and approve the report in the UIRR system no later than 45 days after the quarter.